

**ORIGINAL**  
**NEW APPLICATION**  
FRIEND, HUDAK & HARRIS, LL  
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April 2, 2010

**VIA OVERNIGHT MAIL**

Docket Control Center  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007-2927

T-20667A-10-0126

**Re: Application of AGL Networks, LLC For Authority to Encumber Assets (the "Application")**

Dear Sir or Madam:

Enclosed are the original and fourteen (14) copies of AGL Networks, LLC 's Application. Please file the Application in your usual fashion and return one (1) file-stamped copy to us in the enclosed envelope.

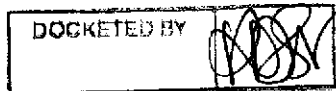
If you have any questions or comments, please call the undersigned.

Very truly yours,

Arizona Corporation Commission

**DOCKETED**

APR 5 2010



FRIEND, HUDAK & HARRIS, LLP

Norman B. Gerry

Arizona Bar No. 013844

Attorneys for AGL Networks, LLC

NBG/nah

Enc.

cc: AGL Networks, LLC (via Electronic & Regular Mail and with Enc.)

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES  
Chairman

GARY PIERCE  
Commissioner

PAUL NEWMAN  
Commissioner

SANDRA D. KENNEDY  
Commissioner

BOB STUMP  
Commissioner

IN THE MATTER OF THE :  
APPLICATION OF AGL NETWORKS, : Docket No. \_\_\_\_\_  
LLC FOR AUTHORITY TO : **(Expedited Approval Requested)**  
ENCUMBER ASSETS :

**APPLICATION FOR AUTHORITY TO ENCUMBER ASSETS**

AGL Networks, LLC ("AGLN" or "Applicant"), pursuant to Arizona Rev. Stat. § 40-285 and any regulations deemed applicable, requests approval from the Arizona Corporation Commission ("Commission"), to the extent required, to encumber its property through the grant of a security interest in Applicant's assets in support of the financing arrangements described in Section III below.<sup>1</sup> This request and the participation of AGLN in the financing arrangements are contingent on AGLN and its parent, AGL Investments, LLC ("Parent"), completing a transaction with Zayo Group, LLC ("Zayo Group" and together with AGLN, the "Parties")

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<sup>1</sup> Applicant will also provide a guaranty in support of the financing arrangements. Since Applicant does not currently provide intrastate telecommunications services in Arizona, however, the Commission's Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R12-2-801 to R12-2-806 (the "Affiliated Interest Rules"), do not apply to the guaranty provided by Applicant.

whereby Zayo Group will acquire all of Parent's membership interests in AGLN (the "AGLN-Zayo Transaction").<sup>2</sup>

In support of this filing, Applicant provides the following information:

**I. DESCRIPTION OF THE PARTIES**

**A. AGL Networks, LLC**

AGLN is a Delaware limited liability company with principal business offices located at Ten Peachtree Place, Suite 1000, Atlanta, Georgia 30309. AGLN maintains fiber networks in several metropolitan areas, including the Atlanta, Georgia, Charlotte, North Carolina, Kansas City, Missouri and Phoenix, Arizona metropolitan areas and in Richmond and Henrico County, Virginia. AGLN primarily provides dark fiber transport services to wireline and wireless carriers as well as enterprise companies, government, health care and educational institutions. AGLN does not currently provide any lit telecommunications services.

In Arizona, AGLN is authorized to provide competitive private line telecommunications services pursuant to Decision No. 71485 issued by the Commission in Docket No. T-20667A-09-179 on February 23, 2010. AGLN is also authorized to provide intrastate telecommunications services in Georgia, Missouri, Nevada, and North Carolina. AGLN is also authorized by the Federal Communications Commission to provide interstate telecommunications services.

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<sup>2</sup> Approval by the Commission is not required under the Affiliated Interest Rules or under other statutory or regulatory requirements for the AGLN-Zayo Transaction because neither of the Parties is a Class A Utility under the Affiliated Interest Rules, and Zayo Group is not a "public service corporation."

## **B. Zayo Group, LLC**

Zayo Group is a Delaware limited liability company with a principal office located at 901 Front Street, Suite 200, Louisville, CO 80027. Through its three business units -- Zayo Bandwidth, Zayo Enterprise Services and zColo -- Zayo Group provides bandwidth, voice, collocation and interconnection, and managed services to carrier, enterprise, small and medium enterprise, and government customers. Zayo Group anticipates that, upon completion of the AGLN-Zayo Transaction, AGLN will represent a fourth business unit, which primarily provides connectivity and dark-fiber related services. Further, Zayo Group will change AGLN's name to Zayo Fiber Solutions, LLC immediately upon completion of the transaction.<sup>3</sup>

Although Zayo Group does not have any subsidiaries or affiliates that currently hold a certificate of convenience and necessity to provide telecommunications services in Arizona, Zayo Bandwidth, LLC ("ZB"), a subsidiary of Zayo Group, has an application pending for a certificate of convenience and necessity to provide facilities-based long distance and local exchange telecommunications services (the "Certification Application"). *See* Docket No. T-20694A-09-0379. ZB also has an application pending for authority to encumber its assets under the same financing arrangements that are the subject of this Application. *See* Docket No. T-20694A-10-0076.

## **II. CONTACTS**

Questions or any correspondence, orders, or other materials pertaining to this filing should be directed to the following.

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<sup>3</sup> Upon completion of the transaction, AGLN will notify its customers of the name change and make all appropriate filings with the Commission to reflect its new name.

For AGLN:

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For Zayo Group:

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and:

Scott E. Beer  
General Counsel  
Zayo Group, LLC  
901 Front Street, Suite 200  
Louisville, CO 80027  
(303) 381-4664 (Tel)  
(303) 226-5923 (Fax)  
sbeer@zayo.com

**III. DESCRIPTION OF FINANCING ARRANGEMENTS**

Zayo Group and its subsidiaries recently completed new company-wide financing arrangements in an aggregate amount of up to \$325 million consisting of (1) \$250 million in senior secured notes and (2) up to \$75 million in revolving credit facilities. The terms of the senior secured notes and the revolving credit facility are confidential. Zayo Group will provide the information to Commission Staff subject to an appropriate protective agreement. Zayo Group and all of its current subsidiaries are borrowers and/or guarantors under the financing

arrangements and have pledged substantially all of their assets for the financing arrangements.<sup>4</sup> The financing arrangements also require any *future* subsidiary (created or acquired) of Zayo Group, such as AGLN, to become a guarantor and pledge their assets in support of the financing arrangements. As a result, immediately upon completion of the AGLN-Zayo Transaction, AGLN must encumber its property as security for the financing arrangements. Applicant's pledge of assets will include assets located in Arizona that Applicant is not currently using to provide telecommunications services but that could be used to provide telecommunications services in the future. Any customer deposits or prepayments of AGLN's future telecommunications customers will be excluded from the encumbrance or secured by a bond that is not included in the pledged collateral.

Zayo Group used a portion of the proceeds from the notes to pay off existing term loans and revolving credit facilities, which totaled approximately \$180 million. The remainder of the proceeds from the notes and the proceeds from the new revolving credit facility will be used to fund strategic acquisitions and for other permitted purposes, including working capital, capital expenditures, and other general corporate purposes of Zayo Group and its current and future operating subsidiaries. Zayo Group intends to fund the AGLN-Zayo Transaction with the proceeds of the above referenced notes and cash on hand.

The Parties intend to complete the AGLN-Zayo Transaction within the next ninety (90) days. In order to ensure that Applicant has the necessary approvals to encumber its property through the pledge of its assets upon completion of the AGLN-Zayo Transaction, Applicant

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<sup>4</sup> To the extent that the Applicant serves as a borrower under the financing arrangements, it is exempt from the provisions of A.R.S. § 40-301 et seq. pursuant to the provisions of A.R.S. § 40-301.D.

respectfully requests expedited review and approval by the Commission no later than the Commission's Open Meeting scheduled for June 22-23, 2010.

#### **IV. PUBLIC INTEREST CONSIDERATIONS**

Approval of Applicant's participation in the financing arrangements of Zayo Group is necessary for the Parties to complete the AGLN-Zayo Transaction and the AGLN-Zayo Transaction will serve the public interest. Under new ownership, AGLN will continue to provide connectivity and dark-fiber related services to customers and may expand its services to include lit telecommunications services, while gaining access to the additional resources and operational expertise of Zayo Group. The AGLN-Zayo Transaction will therefore give AGLN the ability to become a stronger competitor, to the ultimate benefit of consumers. AGLN's network complements the existing metro and regional networks of Zayo Group's current business units, giving Zayo Group's operating subsidiaries greater market depth and breadth as a result of the transaction. As a result, the transaction will strengthen the Parties' ability to compete with other, much larger, fiber providers in the region to the benefit of consumers and the telecommunications marketplace.

Further, Applicant's participation in the financing arrangements is consistent with the performance by Applicant of services to the public, will not impair the ability of Applicant to perform such services and will promote the corporate purposes of the Applicant. Applicant's participation in the financing transaction will be transparent to customers and will not disrupt service, or cause customer confusion or inconvenience.

#### **V. CONCLUSION**

WHEREFORE, for the reasons set forth above, Applicant requests the Commission authorize AGL Networks, LLC to encumber its property through the grant of a security interest

in its assets in support of the financing arrangements of Zayo Group, LLC. Applicant respectfully requests that the Commission grant the approval on an expedited basis no later than the Commission's Open Meeting scheduled for June 22-23, 2010, so that the Parties can complete the AGLN-Zayo Transaction within the next ninety (90) days. Applicant respectfully requests expedited consideration and approval of this Application without hearing.

RESPECTFULLY SUBMITTED this 2nd day of April, 2010.

FRIEND, HUDAK & HARRIS, LLP



Norman B. Gerry  
Arizona Bar No. 013844  
3 Ravinia Drive, Suite 1450  
Atlanta, GA 30346  
(770) 399-9500 (Tel)  
ngerry@fh2.com

Attorneys for AGL Networks, LLC

ORIGINAL and thirteen (13) copies  
of the foregoing filed this 2nd day  
of April, 2010 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Copy of the foregoing mailed this  
2nd day of April, 2010 to:

Lyn Farmer, Esq.  
Chief Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007



Janice Alward, Esq.  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

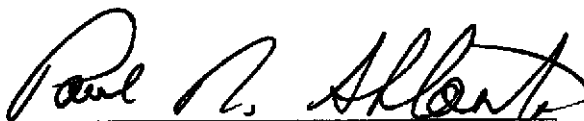
Mr. Steven M. Olea  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

STATE OF GEORGIA  
COUNTY OF FULTON

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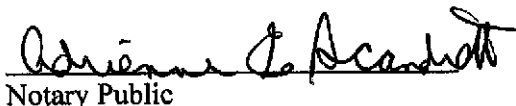
**VERIFICATION**

I, Paul R. Shlanta, state that I am the Executive Vice President and General Counsel of AGL Networks, LLC and AGL Investments, Inc. (together, the "Company"); that I am authorized to make this Verification on behalf of the Company; that the foregoing filing was prepared under my direction and supervision; and that the contents with respect to the Company are true and correct to the best of my knowledge, information, and belief.



Paul R. Shlanta  
Executive Vice President and General Counsel  
AGL Networks, LLC  
AGL Investments, Inc.

Sworn and subscribed before me this 1<sup>st</sup> day of April, 2010.

  
Notary Public

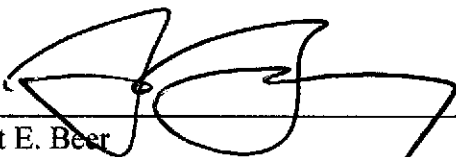
My commission expires Notary Public, DeKalb County, Georgia  
My Commission Expires Nov. 22, 2013

STATE OF COLORADO  
COUNTY OF BOULDER

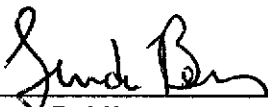
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**VERIFICATION**

I, Scott E. Beer, state that I am the Vice President, Secretary and General Counsel of Zayo Group, LLC (the "Company"); that I am authorized to make this Verification on behalf of the Company; that the foregoing filing was prepared under my direction and supervision; and that the contents with respect to the Company are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Scott E. Beer  
Vice President, Secretary and General Counsel  
Zayo Group, LLC

Sworn and subscribed before me this 25 day of March, 2010.

  
\_\_\_\_\_  
Notary Public

My commission expires 6-8-2011